

## Message Text

CONFIDENTIAL

PAGE 01 JIDDA 01928 01 OF 03 181342Z

53

ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 COME-00 FRB-03

XMB-02 OPIC-03 LAB-04 SIL-01 SAM-01 SAB-01 FEAE-00

OES-03 L-02 H-02 FTC-01 /086 W  
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R 181225Z MAR 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 620

C O N F I D E N T I A L SECTION 1 OF 3 JIDDA 1928

DEPT PASS FRB AND TREASURY

E.O. 11652: GDS

TAGS: EFIN, SA

SUBJECT: SAUDI EFFORT TO SAUDIFY FOREIGN BANKS: U.S. RESPONSE

REF: USDEL RIYADH 0074

### SUMMARY

1. GOVERNOR QURAIISHI WILL ARRIVE IN WASHINGTON FOR A THREE DAY VISIT BEGINNING ON MARCH 24. WE ARE, THEREFORE PROVIDING A LENGTHY DISCUSSION OF THE CURRENT STATUS OF SAUDI EFFORTS TO SAUDIFY FOREIGN BANKS. EMBASSY WOULD LIKE TO SEE THE ISSUE RAISED IN VERY LOW-KEY MANNER BY THE U.S. SIDE. IT IS LIKELY THAT FNCB WILL BE MOST RELUCTANT TO ACCEPT SAUDI PARTNERS, AND GOV. QURAIISHI WILL CERTAINLY BE HAVING LONG DISCUSSIONS WITH HENRY WRISTON IN NEW YORK ON THE MATTER. AT THIS STAGE IT APPEARS THAT EACH IS SUPREMELY CONFIDENT THAT HE CAN BRING THE OTHER AROUND TO HIS WAY OF THINKING.

2. WE ARE OF THE OPINION THAT COMPLETE SAUDIFICATION OF THE FOREIGN BANKS IS NOT THE WAY TO BRING THE IMPROVE-  
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PAGE 02 JIDDA 01928 01 OF 03 181342Z

MENT IN THE SAUDI BANKING STRUCTURE WHICH QURAIISHI

DESIRES AND WHICH THE COUNTRY SO SORELY NEEDS. IN FACT, WE BELIEVE SUCH ACTION WOULD BE SELF-DEFEATING IF APPLIED TO THE FORWARD-LOOKING BANKS SUCH AS FNCB. IT SEEMS ALMOST CERTAIN THAT ALTHOUGH THE INTENTIONS OF THE PRINCIPALS, SUCH AS QURAISHI, ARE ABOVE THE VENAL, ONE OF THE MAIN PRESSURES FOR THIS ACTION IS THE DESIRE OF THE "MERCHANT PRINCES" AND REGULAR PRINCES OF SAUDI ARABIA TO SHARE IN THE BANKING PROFITS. END SUMMARY

3. AS REPORTED IN REFTEL, THE SAUDI ARABIAN MONETARY AGENCY IS NOW TELLING VARIOUS FOREIGN BANKS THAT THEY SHOULD MAKE PLANS TO BECOME JOINT VENTURES, IN WHICH MORE THAN 50 PERCENT OF THE CAPITAL OF EACH BANK SHOULD BE OWNED BY SAUDI INTERESTS. THERE ARE 12 FOREIGN BANKS IN THE COUNTRY. FIRST NATIONAL CITY, THE ONLY U.S.-OWNED COMMERCIAL BANK, AND BRITISH BANK OF THE MIDDLE EAST (BBME) HAVE BEEN GIVEN THIS MESSAGE. THE EGYPTIAN BANQUE DU CAIRO AND THE PAKISTANI BANK (BOTH QUITE SMALL) HAVE ALREADY ACCEPTED THE PROPOSAL AND ARE IN THE PROCESS OF TRANSFORMATION INTO SAUDI BANKS. WE ALSO EXPECT THE BANK D L'INDOCHINE (ANOTHER SMALL BANK, WHICH HAS BEEN HAVING LIQUIDITY PROBLEMS) TO AGREE READILY. GOV. QURAISHI SAYS THE NETHERLANDS BANK (ALGEMENE BANK NEDERLAND N.V.) HAS AGREED IN PRINCIPLE TO THE CHANGE. THEY WERE, IN FACT, THE FIRST TO BE APPROACHED (THIS TIME AROUND) AND HAVE BEEN STUDYING THE MATTER FOR SOME TIME. THEY ARE NOT WILLING, HOWEVER, TO SAY THAT THEY HAVE ACTUALLY AGREED TO QURAISHI'S APPROACH. THE SAUDIS ALSO SAY THAT THE SMALL STATE-OWNED BANK MELLI OF IRAN HAS BEEN APPROACHED, BUT THE MELLI MANAGER HERE MAINTAINS HE HAS HAD NO CONTACT WITH SAMA ON THE MATTER, AND FNCB REPRESENTATIVES WERE TOLD RECENTLY BY MELLI'S PRESIDENT IN IRAN THAT NO APPROACH HAD BEEN MADE.

4. THE FNCB RESPONSE HAS BEEN THAT THEY DO NOT BELIEVE THIS WOULD BE A WISE MOVE AT A TIME WHEN EVERY BUSINESS-MAN VISITING THE AREA ASKS THEM ABOUT EXPROPRIATION RISKS(AFTER ARAMCO). THE BBME HAS AGREED THAT JOINT VENTURES ARE PROBABLY A NECESSITY IN THE FUTURE, BUT ARE RELUCTANT TO ACCEPT THE MOVE NOW. IN OTHER WORDS, CONFIDENTIAL

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PAGE 03 JIDDA 01928 01 OF 03 181342Z

THEY MAY HAVE ACCEPTED THE PRINCIPLE BUT NOT THE FACT.

5. GOVERNOR AL-QURAISHI OF SAMA BRIEFED THE AMBASSADOR ON THE DETAILS OF HIS PROPOSAL ON FEB. 27. ADDING THE MATERIAL WE HAVE PICKED UP FROM THE FOREIGN BANKS WHO HAVE BEEN APPROACHED THE EMERGING PICTURE IS AS FOLLOWS: BANKS WERE TO PRESENT A LETTER OF INTENT BY MID-MARCH OUTLINING A MOVE, WITHIN 12 MONTHS, TO 60 PERCENT SAUDI

OWNERSHIP. EACH BANK WOULD HAVE A GROUP OF "SPONSORS" TO BE APPROVED BY SAMA, WHO WOULD OWN 30 PERCENT. ANOTHER 30 PERCENT WOULD BE OFFERED TO THE PUBLIC AT LARGE. ALTHOUGH QURAISHI TOLD THE AMBASSADOR THAT NO MORE THAN 3 PERCENT COULD BE OWNED BY ANY ONE INDIVIDUAL, HE HAS NOT REPEAT NOT MADE THAT STIPULATION TO THE BANKS. IN FACT, HE TOLD THEM THAT THE "SPONSORS" WOULD ORIGINALLY OWN ALL 60 PERCENT, BUT WOULD PLAN TO DIVEST THEMSELVES OF 30 PERCENT WHEN THE PUBLIC WAS READY TO BUY. BANKS ARE TO KEEP THEIR CAPITAL INTACT; THE SAUDI SHARE WOULD BE AN INCREASE IN BANK CAPITALIZATION. MANAGEMENT WOULD REMAIN UNCHANGED FOR 10 YEARS. (THE BANKS AGREE THAT, ALTHOUGH THE SAUDIS WANT FOREIGN MANAGEMENT TO CONTINUE, THEY COULD NOT AVOID REORGANIZATION, SAUDI CHAIRMAN OF THE BOARD, ETC.)

6. THE FOREIGN BANK MANAGERS WE HAVE TALKED TO VIEW THIS ACTION AS AN ULTIMATUM. FNCB HAS ALSO RECEIVED WORD FROM MOHAMMAD ABA AL-KHAYL THAT THEY SHOULD NOT MISTAKE THE SERIOUSNESS OF THE SAG'S INTENT IN THIS MATTER. THEY WERE ALSO TOLD, HOWEVER, THAT NOTHING REPEAT NOTHING WOULD BE GIVEN THEM IN WRITING. GOV. QURAISHI TOLD THE AMBASSADOR THAT THE BANKS (FNCB IN PARTICULAR) WOULD NOT BE FORCED TO MOVE. HE SAID CATEGORICALLY THAT THERE WOULD BE NO ROYAL DECREE ORDERING THE BANKS TO COMPLY WITH THE NEW "GUIDANCE", AND THAT "WE WOULD ONLY USE THE CARROT, NOT THE STICK. ALTHOUGH BANKS WOULD BE ABLE TO CONTINUE THEIR PRESENT OPERATIONS IF THEY WISHED, QURAISHI THOUGHT IT WOULD SOON BE OBVIOUS TO THE BANKS THAT THERE WOULD BE GREAT ADVANTAGES IN THE TRANSFORMATION. THE JOINT VENTURE BANKS WOULD BE ABLE TO OPEN BRANCHES AROUND THE COUNTRY, WHICH THEY CAN'T DO AT PRESENT. THEY WOULD PARTICIPATE IN JOINT VENTURES

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 JIDDA 01928 01 OF 03 181342Z

WITH SAMA, WITH THE SAUDI GOVERNMENT AND WITH FOREIGN BANKS; AND WOULD BE ELIGIBLE TO RECEIVE GOVERNMENT DEPOSITS. THE BANKS WHICH ACCEPTED THE CHANGE WOULD SURELY SEE THEIR PROFITS INCREASED MARKEDLY IN THE VERY NEAR FUTURE. HE ADMITTED THAT PROFITS MIGHT BE

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 JIDDA 01928 02 OF 03 181613Z

53

ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 COME-00 FRB-03

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OES-03 FTC-01 L-02 H-02 /086 W

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R 181225Z MAR 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 621

C O N F I D E N T I A L SECTION 2 OF 3 JIDDA 1928

DEPT PASS FRB AND TREASURY

DECREASED IN THE FIRST YEAR OF OPERATION, BUT WITH BANKING ACTIVITY EXPECTED TO DOUBLE IN 1975 OVER 1974 (THE MONEY SUPPLY IS EXPANDING AT SOMETHING LIKE 40 PERCENT), AND LIKELY TO DOUBLE AGAIN IN 1976 AND 1977, THE 40 PERCENT SHARE OF THE MUCH LARGER TOTAL WOULD BE FAR MORE THAN THE BANKS WILL EARN IF THEY REMAIN PURELY FOREIGN ENTITIES. FNCB HAS REPLIED TO THE REQUEST FOR A LETTER OF INTENT WITH A DELAYING LETTER.

7 IT IS NOT YET CLEAR TO US EXACTLY HOW THIS MOVEMENT BEGAN, NOR ARE THE MOTIVES CLEAR. WE KNOW THAT SOME EFFORT WAS MADE BY THE SAUDIS AS FAR BACK AS 1964 WHEN FNCB HAD A FALLING OUT WITH THE ALI REZA FAMILY. CURIOUSLY ENOUGH, ALI ALI REZA IS NOW ON THE SAMA BOARD. WE ALSO KNOW THAT FNCB WAS PLANNING TO GO INTO A CIT-CORPS TYPE JOINT VENTURE WITH PRINCE SALMAN IBN SAUD, GOVERNOR OF RIYADH, BUT THAT THE VENTURE WENT AWRD DUE TO MISHANDLING OF MINSTATE ABA AL-KHAYL (BY SALMAN). FNCB INSISTS THAT CURRENT AGRICULTURE MINISTER MISHARI IS STILL VERY MUCH IN THE PICTURE, AND IS AN INSTIGATOR  
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PAGE 02 JIDDA 01928 02 OF 03 181613Z

OF THE SAUDI BANK PARTICIPATION POLICY. ACTUAL MURMURINGS OF THIS ACTION BEGAN TO REACH FNCB VIA ITS SENIOR SAUDI EMPLOYEES EARLY LAST SUMMER. IT IS OUR OPINION AT THIS TIME, THAT THE MOVEMENT IS GENERATED IN LARGE

PART BUT NOT BY ANY MEANS WHOLLY) BY THE DESIRE OF THE LARGE MERCHANT FAMILIES, AND NO DOUBT A FEW PRINCES, TO SHARE IN THE PROFITS OF THE BANKING COMMUNITY.

8. GOVERNOR QURAISHI SAYS THAT THE PURPOSE OF SAUDIFICATION IS TO ALTER THE WOEFULLY INADEQUATE BANKING SYSTEM OF THE COUNTRY, AND TO PREPARE TO MEET THE GROWING DEMANDS OF THE FUTURE. AS SAUDI BANKS, THEY WILL HAVE THE OPPORTUNITIES MENTIONED ABOVE, AND WILL BE ABLE TO TAKE AMORE ACTIVE PART IN THE ECONOMY. WE MIGHT ALSO SPECULATE THAT SOME KEY OFFICIALS OF SAG WILL SEE THIS AS A SIMPLE NATIONALISTIC QUESTION.

9. OUR OWN OPINION IS THAT SAUDIFICATION WILL NOT CORRECT THE ILLS OF THE BANKING SYSTEM, WHICH IS INDEED IN A SAD STATE. THE BIGGEST SINGLE PROBLEM NOW IS HOW TO MOVE EXCESS LIQUIDITY INTO THE LONGER TERM VENTURE CAPITAL AREA. UNDER SAUDI PARTICIPATION, HOWEVER, MANAGEMENT WOULD NOT BE CHANGED AND THE MANAGEMENT PROBLEMS OF BANKS SUCH AS THE BANQUE DU CAIRE, THE BANK D 'L' INDOCHINE, AND EVEN THE NETHERLANDS BANK (WHICH HAS NOT MADE ITS CLEARINGS FROM THE EASTERN PROVINCE FOR THE LAST TWO MONTHS) WOULD IN NO WAY BE SOLVED. IN FACT, WE WOULD ANTICIPATE A PERIOD OF CONFUSION AFTER SALE OF EQUITY. BOARDS WOULD HAVE TO BE REORGANIZED; LOANS WOULD HAVE TO BE DRAWN DOWN AND REISSUED SINCE THE BANKING LAW FORBIDS LOANS TO MEMBERS OF THE BOARD; EACH BANK WOULD HAVE TO GRAPPLE WITH LOAN POLICY TOWARD THE FRIENDS OF NEW BOARD MEMBERS WHO APPLY FOR LOANS, AND SO ON. IN FACT, THE CHANGE MIGHT EXCABERATE ONE OF THE MOST SERIOUS COMMERCIAL BANKING PROBLEMS: THE LARGE NUMBER OF LOANS CARRIED ON THE BOOKS AS PRODUCING ACCRUALS, BUT ON WHICH NO PAYMENTS ON PRINCIPLE OR INTEREST HAVE BEEN MADE AND WHICH SHOULD ACTUALLY BE WRITTEN OFF. WITH NO CHANGE IN MANAGEMENT WE CANNOT SEE BANKS CHANGING FROM THEIR CURRENT NO-RISK POSITIONS TO BECOMING ACTIVE IN THE MARKET. ONLY CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JIDDA 01928 02 OF 03 181613Z

FNCB WILL NOW MAKE LOANS WITH A MATURITY IN EXCESS OF 5 YEARS (THEY WILL GO TO 10 YEARS).AMBASSADOR QUERIED QURAISHI ON POSSIBLE DEFERRAL BY FNCB. WOULD IT BE POSSIBLE FOR THE BANK TO TAKE IN SAUDI PARTNERS AT SOME LATER DATE? QURAISHI SAID THAT NO SUCH ASSURANCE WOULD OR COULD BE GIVEN.

10. IN FACT, WE BUY THE FNCB POSITION THAT THEY HAVE ALREADY MOVED, AND ARE IN FACT THE ONLY BANK MOVING, TO MEET THE NEEDS OF THE ECONOMY. FNCB HAS CREATED A VENTURE CAPITAL DIVISION. THEY ARE MOVING INTO THE FIELD OF REAL ESTATE LOANS (FOR RESIDENTIAL PURPOSES ONLY) TO

MIDDLE GRADE GOVERNMENT EMPLOYEES. THEY ARE ALREADY ISSUING MANAGEMENT CONTRACTS, CONDUCTING MARKET RESEARCH, AND PROVIDING IN-DEPTH FOLLOW UP ASSISTANCE TO LOAN RECIPIENTS IN TERMS OF FINANCIAL MANAGEMENT, ADVICE ON BOOKKEEPING AND ACCOUNTING, ETC. IT WOULD BE UNFORTUNATE IF THIS KIND OF MOMENTUM SHOULD BE IMPEDED.

11. WE WOULD PREFER, AND FNCB REPS SAY THEY WELCOME THE SUGGESTION, TO HAVE NEW U.S. BANKS - PREFERABLY JOINT VENTURES - ENTER THE MARKET. THESE NEW BANKS WOULD INTRODUCE A KIND OF COMPETITION WHICH IS NOT NOW PRESENT. FNCB REPS BELIEVE THEY WOULD DO WHAT QURAISHI HAS SUGGESTED: THEY WOULD CREATE A MUCH LARGER FINANCIAL MARKET IN WHICH FNCB WOULD STAND TO GAIN DESPITE THE INCREASED COMPETITION. ONLY 40 PERCENT OF THE TURN-OVER AND DEPOSITS ARE NOW HANDLED BY THE REGULAR BANKING COMMUNITY. NEW BANKS MIGHT ALSO FORCE EXISTING BANKS TO MEND THEIR WAYS.

12. HENRY WRISTON, OF FNCB, WILL BE SEEING QURAISHI DURING HIS VISIT TO THE U.S. HE WILL BE MAKING THE FOLLOWING POINTS:  
A. INAPPROPRIATENESS OF "EXPROPRIATING" FNCB INTERESTS, IN THE FACE OF WORLD OPINION FOLLOWING ARAMCO TAKE-OVER. HE WILL POINT OUT THAT EVEN IF THE 60 PERCENT OWNERSHIP IS AN EXPANSION OF EXISTING CAPITAL, THE SHORT TERM RESULT WILL BE AN EXPROPRIATION OF FNCB EARNINGS. THIS WILL HAVE VERY BAD EFFECTS ON WORLD OPINION EVEN IF THE ONLY FORCE EXERTED AGAINST THE BANK IS TO CURTAIL GROWTH.

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PAGE 04 JIDDA 01928 02 OF 03 181613Z

B. FNCB WILL BE CITING THE DANGER OF PRECEDENT WHICH WOULD BE CREATED FOR THEM. THEY WILL POINT OUT THAT ONLY TWO NATIONS HAVE ACTUALLY TAKEN ACTION AGAINST FNCB (ALLEND OF CHILE AND NASSER OF EGYPT), AND THOSE NATIONS ARE NOW ASKING THE BANK TO RETURN. VENEZUELA AND MEXICO MADE XPECIFIC EXEMPTIONS FOR FNCB IN THEIR BANKING LEGISLATION, ACCORDING TO FNCB REPS HERE.

C. FNCB WILL ALSO POINT TO NUMEROUS INITIATIVES, MOSTLY OUTLINED ABOVE, WHICH THEY HAVE TAKEN IN SAUDI ARABIA. THEY WILL PROBABLY SAY THEY COULD NOT PUT THE SAME CALIBRE OF PERSONNAL TO WORK IN SAUDI ARABIA UNDER JOINT VENTURES AS THEY NOW DO.

D. REGARDING THE BENEFITS TO ACCURE FROM CLOSER OPERATIONS WITH THE SAG, WRISTON WILL PROBABLY POINT OUT THAT FNCB IS NOW COOPERATING WITH A

SYNDICATE OF RIYADH BANK, NATIONAL COMMERCIAL BANK,  
AND THE INDUSTRIAL DEVELOPMENT FUND TO FINANCE  
PRIVATE ELECTRICAL COMPANIES. IN FACT FNCB PLANS

CONFIDENTIAL

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PAGE 01 JIDDA 01928 03 OF 03 181453Z

53

ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FEAE-00 OES-03 FTC-01 /086 W  
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R 181225Z MAR 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 622

C O N F I D E N T I A L SECTION 3 OF 3 JIDDA 1928

DEPT PASS FRB AND TREASURY

TO TAKE SR 75 MILLION OF THE PROJECT, WHILE NATIONAL  
COMMERCIAL BANK WILL ONLY TAKE SR 60 MILLION (RIYADH  
BANK WILL HAVE SOME SR 120 MILLION).

13. BANK REPS HERE ARE MOST CONCERNED THAT QURAISHI  
MIGHT DECIDE TO REFUSE TO ALLOW THEM TO INCREASE  
THEIR CAPITALIZATION (THEY WILL SOON HAVE AN APPLI-  
CATION IN). WITH GROWTH RATES AS HIGH AS THOSE  
QUOTED BY QURAISHI, IT WOULD NOT BE LONG BEFORE THE  
MARKET PASSED FNCB BY. THEY ALSO BELIEVE THE BANK  
IS PREPARED TO WEATHER ANY SAUDI DECISION TO DRAW  
DOWN DEPOSITS OR PORTFOLIO WITH FNCB AS RETALIATION  
FOR FAILURE TO AGREE TO THE JOINT VENTURE.

14. THE U.S. INTEREST. WE CONTINUE TO BELIEVE IT  
IS IN THE U.S. INTEREST (AND IN THE IMMEDIATE  
INTERESTS OF SAUDI ARABIA) TO ENCOURAGE THE INDE-

PENDENT OPERATION OF FNCB AS LONG AS POSSIBLE AS  
A FULLY U.S. -OWNED SUBSIDIARY. FOR THE U.S. THIS  
WILL OF COURSE MAXIMIZE THE REPATRIATION OF PROFITS  
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PAGE 02 JIDDA 01928 03 OF 03 181453Z

TO THE U.S., BUT EVEN MORE IMPORTANT IT WILL KEEP  
BROADER CHANNELS OPEN FOR DIRECT INVESTMENT IN THE  
U.S. VIA FNCB CHANNELS. FOR SAUDI ARABIA, THE  
MANAGEMENT INPUT BY FNCB AND, HOPEFULLY, NEW U.S.  
BANKS WOULD MOST RAPIDLY MEET THE SAUDI DESIRE FOR  
A MODERN BANKING STRUCTURE AND CONTRIBUTE TO SAUDI  
ECONOMIC DEVELOPMENT. THE BEST WAY TO ACHIEVE MODERN-  
IZATION WOULD BE TO ALLOW OTHER U.S. BANKS TO  
COME INTO SAUDI ARABIA AS JOINT VENTURES, WHICH THEY  
WOULD DO AND WHICH COULD SATISFY THE SAUDI DESIRE  
FOR PARTICIPATION.

15. THE AMBASSADOR HAS BROACHED THE IDEA OF NEW  
BANKS IN SAUDI ARABIA WITH GOVERNOR QURAISHI, BUT  
THE LATTER SAYS SAMA DOES NOT NOW CONTEMPLATE SUCH  
ACTION. THERE ARE SCORES OF APPLICANTS TO DO SO,  
BUT HE BELIEVES 14 BANKS WILL BE SUFFICIENT IF  
THEY ARE ALLOWED TO EXPAND EXTENSIVELY. THERE ARE  
ALSO SEVERAL NEW MERCHANT BANK, INVESTMENT BANK,  
AND FINANCE COMPANY VENTURES OPENING IN JIDDA, WITH  
CHASE MANHATTAN AND FIRST NATIONAL BANK OF BOSTON  
THE MOST ACTIVE.

16. WHILE OVERT USG ACTION MIGHT WELL PUSH THE  
GOVERNOR INTO A CORNER DURING HIS U.S. TRIP SO THAT  
HE COULD FEEL COMPELLED TO REPLY TO WRISTON IN A  
NEGATIVE MODE, THE EMBASSY WOULD NOT WISH QURAISHI  
TO GO TO NEW YORK WITH SOME VAGUE IDEA THAT TREASURY,  
STATE AND FRB ARE IN ANY WAY TACITLY ACCEPTING THE  
REASONS BEHIND THE SAG DECISION. WHAT WE MUST DO  
IS QUIETLY ARGUE WITH QURAISHI THE CASE FOR A  
REVIEW. WE WOULD PREFER THAT A HIGH LEVEL  
FRB OR STATE OFFICIAL WHO KNOWS BANKING AND WHO  
KNOWS QURAISHI PERSONALLY (SUCH AS ROBINSON OR DEBS)  
TAKE UP THE ISSUE BASED ON THE FOLLOWING ARGUMENTS:  
--THIS ACTION WOULD BE DETRIMENTAL PARTICULARLY TO  
SMALL INDUSTRY JOINT VENTURES AND EVEN LARGE PETRO-  
CHEMICAL INDUSTRIALIZATION OF THE KINGDOM. IT MIGHT  
BE UNDERSTANDABLE FOR ANY NEW BANKS TO BE REQUIRED  
TO HAVE SAUDI PARTNERS; BUT USE OF SAG PERSUASION  
TO FORCE DIVESTITIVE BY FNCB AND OTHER FOREIGN BANKS  
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PAGE 03 JIDDA 01928 03 OF 03 181453Z

WHO HAVE BEEN REMARKABLY GOOD CITIZENS IN THEIR ACTIONS WOULD BE GRIST FOR THE MILL OF THOSE WHO ARE CRITICIZING AND TRYING TO RESTRICT OIL PRODUCER INVESTMENT IN THE U.S. IT WOULD OR COULD BE THE OPENING GUN IN SOME COUNTER-ACTIONS BY U.S. STATE BANKING INSTITUTIONS.

-- IT IS A NEGATIVE POLICY, DISCOURAGING THE INPUT OF THE VERY THINGS THAT SAUDI ARABIA NEEDS: MANAGEMENT, TRAINING, AND INVENTIVE NEW BANKING PROGRAMS THAT CAN COME MOST RAPIDLY FROM THE FOREIGN BANKING COMMUNITIES WHICH ARE INTERNATIONAL (NOT JUST AMERICAN) GRANTED THAT FOREIGN BANKS ARE IN GENERAL MAKING GOOD PROFITS, THEY ARE A VALUABLE RESOURCE OF SAUDI DEVELOPMENT.

--THE DANGER IS REAL THAT SAUDI ARABIA WILL BE CHARGED WITH TAKING THIS ACTION IN RESPONSE TO THE CRITICISMS BEING LEVELED AT HER POLICIES ON THE BOYCOTT. PENALIZING THE COMPANIES WHO ARE MOST DEEPLY INVOLVED IN SAUDI ARABIA ALREADY IS AGAIN A GOOD OPPORTUNITY FOR HEIGHTENING THE CRITICISMS.

--IT IS NOT A MEANINGFUL ACTION IN TERMS OF DEVELOPING THE BANKING COMMUNITY OF THE KINGDOM. IN FACT, IT MAY SLOW THE ACTUAL SPREAD OF BANKING IN THE COUNTRY IF THE FOREIGN BANKS LOSE HEART, PULL OUT MANAGEMENT AND LIMIT NEW PROGRAMS. ALL OF THE SATISFACTION IN BANKING IS NOT IN THE PROFITS BUT IN ACHIEVING GROWTH OF AN INSTITUTION.

--IF SAUDI ARABIA IS SEEN DOING THIS, IT WILL HAVE A NON-BENEFICIAL EFFECT ON THE POLICIES OF ALL THE OTHER STATES OF THE AREA WHO WILL BE INSPIRED TO TAKE UNILATERAL ACTION VERGING ON NATIONALIZATION OR FORCED SALE OF ASSETS OF THEIR FOREIGN FINANCIAL INSTITUTIONS. IRAQ WOULD BE CHEERED BY THIS NEWS, FOR ONE.

--WE WOULD HOPE SAG MIGHT CHOOSE OTHER MEANS OF ACCOMPLISHING THEIR BANKING GOALS.

17. WE WOULD NOT BE AVERSE TO HAVING SOME AGREED POINTS SUCH AS THE ABOVE (MADE IN A SPIRIT MORE IN SORROW AND CONCERN THAN IN ANGRY LEGALISMS THAT CONFIDENTIAL

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PAGE 04 JIDDA 01928 03 OF 03 181453Z

WOULD BE EMPTY OF SUBSTANCE) HANDED TO QURAISHI AS OUR COLLECTIVE BEST JUDGEMENT OF THE SITUATION. THE BEST POSSIBLE SITUATION WOULD BE ONE IN WHICH QURAISHI HIMSELF RAISES THE QUESTION, BUT IT SHOULD IN ANY EVENT BE BROACHED.

18. WE JUDGE THIS TO BE A FIRM DECISION BY SAG  
BUT ONE WHICH CAN OVER TIME BE ERODED AND PERHAPS  
EVEN QUIETLY REVERSED IF THERE IS GROWING PROOF THAT  
EVEN HALF OF THE ABOVE POINTS ARE TRUE.  
AKINS

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## Message Attributes

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**Draft Date:** 18 MAR 1975  
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**Disposition Authority:** johnsorg  
**Disposition Case Number:** n/a  
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